CENTRAL MAINE POWER

Carlisle Tuggey
General Counsel

June 9, 2023

Harry Lanphear
Administrative Director
Maine Public Utilities Commission
#18 State House Station
Hallowell, ME 04347

Re: CENTRAL MAINE POWER COMPANY,
Annual Reconciliation of Stranded Cost Revenue and Costs - Docket No. 2023-00039

Dear Mr. Lanphear:

Central Maine Power Company ("CMP" or the "Company") submits the attached Stipulation recommending that the Commission issue an order which would approve, accept, and adopt this Stipulation. This letter and the supporting information below are provided in accordance with Section 8(D) of the Commission's Chapter 110 procedural rules.

**A. Intervenors**

The Office of the Public Advocate ("OPA"), the Industrial Energy Consumer Group ("IECG"), Maine Renewable Energy Association (MREA) and the Coalition for Community Solar Access (CCSA) have intervened in this proceeding. CMP, OPA and IECG are referred to herein as the "Parties." The CMP and OPA have signed the Stipulation and are also referred to herein as the "Stipulating Parties." IECG, MREA and CCSA take no position on the stipulation.

**B. Description of Process Leading to the Stipulation**

1. On March 31, 2023, in the above-captioned proceeding, Central Maine Power Company ("CMP" or the "Company") submitted its stranded cost reconciliation filing for the period March 1, 2022 through February 28, 2023 ("Rate Year 3") in accordance with Paragraphs 9 and 10 of the Stranded Cost Revenue Requirements Stipulation dated May 31, 2023 in Docket No. 2022-00341. Also reflected in the March 31, 2023 filing were the stranded cost base revenue requirements and rates for the period March 1, 2023 through February 28, 2024 ("Rate Year 1") pursuant to Paragraph 10 of the above-referenced Stipulation. Subsequently, on May 23, 2023, CMP submitted an updated filing reflecting (i) corrected Net Energy Billing ("NEB") lost revenue kWh adjustment for the period of March 2021 through February 2022; (2) updated forecasted units; and (3) implemented the new rate design from Docket No. 2022-00160 where the Stranded Cost revenue requirement is allocated to the rate

classes based upon each class's proportionate kWh load share, Net Energy Billing stranded costs are received through the fixed charge, and all other stranded costs are collected through a volumetric charge.[1] Since the Company's May 23, 2023 filing, CMP reduces the Company's base revenue requirement by $10,000,000 as agreed to in the Stipulation dated May 31, 2023 in Docket No. 2022-00341 bringing the base revenue requirement from $61,523,818 to $51,523,818. See Stipulation Attachment 1.

### C. Waiver of 5 M.R.S.A § 9062

The Stipulating Parties have agreed to waive 5 M.R.S. § 9062 and § 8 of the Commission's procedural rules to allow the Commission Staff to make a recommendation to the Commissioners regarding the Stipulation without an Examiner's Report.

### D. Major Provisions of the Stipulation

The Stipulation resolves all issues in this proceeding on the terms set forth in the Stipulation. Section of 8(D)(4) of Chapter 110 requires that each filing of a stipulation include a summary of the major provisions of the stipulation, which in this case are set forth below.

The Stipulating Parties have agreed:

1. The reconciliation of stranded costs and revenues for Rate Year 3 produces an under-collection of $43,616,528, including carrying costs through June 2023 and incorporates (a) the under-collected $32,089,260 reconciliation balance for the period March 2022 through February 2023 including carrying costs; (b) $6,230,986 for the reallocation of funds between CMP and Versant Power for applicable long-term contracts[2] pursuant to 35-A M.R.S. § 3210-F. CMP included a projection of the long-term contract reallocation where Versant Power would forward $11,011,886 to CMP for

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[1] During the June 6, 2023, Technical Conference. the Stranded Cost Rate Design was reviewed. The Parties agreed that for any rate classes that have a TOU option, the all-hours and TOU number of customers and volumetric usage would be combined for revenue allocation and rate design purposes. This is consistent with the order in Docket No. 2022-00160 dated April 21, 2023, but this specific approach was not included in any attachments or exhibits from that case.

[2] In this Stipulation, above-market costs associated with long-term contracts and Community Energy Projects entered into pursuant to 35-A M.R.S. § 3210-C and §§ 3601-3609 are referred to as "stranded costs," although, as noted in the Commission's Order dated October 26, 2011 in Docket No. 2011-222, it is clear that costs under these contracts are not "stranded costs" as defined in 35-A M.R.S. § 3208. In that Order, the Commission determined that for cost recovery purposes, there is no reason to treat such costs differently than stranded costs associated with existing purchased power contracts and accordingly ordered that utility costs associated with long-term contracts shall be treated the same as other purchased power contract-related stranded costs and addressed in utility stranded costs proceedings. With respect to RPS contracts, the Commission's December 8, 2020 Order in Docket No. 2020-00033 states, "That CMP and Versant may recover through stranded cost proceedings the costs they prudently incur through the administration of the Contracts and in fulfilling their obligations thereunder."

Rate Year 3. The actual reallocation calculation provides that Versant Power should forward $4,780,900 to CMP, therefore CMP includes the variance of $6,230,986 for recovery in the Rate Year 3 reconciliation; (c) ($128,144) related to a NEB lost revenue kWh netting adjustment for the period March 2021 through February 2022 ("Rate Year 2")[3]; (d) $3,989,155 for the final transfer of funds between CMP and Versant Power for Net Energy Billing costs related to the kWh netting and tariff rate programs as well as incremental administrative costs; (e) return on investment of $1,813,794; and (f) the over-collected incremental revenue variance of ($378,523) for Rate Year 2. See Stipulation Attachment 3 for components of the reconciliation amount to be collected from customers in rates during the period July 2023 through June 2024.

a. The under-collected $32,089,260 reconciliation balance described in paragraph 2 above is comprised of the following items:
    i. An increase of $19,662 to reflect higher than projected nuclear expenses. Vermont Yankee's remaining net operating cost contributed to the variance. See Stipulation Attachment 3 (page 1).
    ii. A $1,513,011 net decrease in HQ expenses and other revenues. HQ support costs were $755,579 below projections due to lower than anticipated expenses for New England Hydro-Transmission Electric and New England Hydro Transmission Companies, while HQ entitlement revenue was $757,432 higher than projected, largely related to non-firm transmission revenue being greater than expected. See Stipulation Attachment 3 (page 1).
    iii. An increase of $29,666,301 to reflect the actual above-market costs related to CMP's purchased power agreement ("PPA") obligations and Long-Term Contract ("LTC")[4] net expenses. Actual PPA and LTC payments were $50,617 higher than projections, and actual entitlement revenues were $29,615,684 lower than anticipated. The primary driver of the $50,617 increase in payments was higher than projected kWh deliveries. The major drivers of the $29,615,684 increase in Rate Year 3 entitlement revenues were lower generation and market conditions in the Maine Zone creating lower Locational Marginal Prices (LMP), driving down the value of the entitlements sold into the ISO-NE spot market. See Stipulation Attachment 3 (page 1).
    iv. An increase of $17,956,540 associated with the Net Energy Billing Tariff Rate Agreements. CMP provided $33,617,555 in bill credits which were offset by realized market revenue of $15,661,015. See Stipulation Attachment 3 (page 1).
    ~~v.~~ An increase of $5,368,883 to recover NEB lost revenues for its kWh netting agreements. See Stipulation Attachment 3 (page 1).
    vi. A $79,327 increase in NEB Administration Costs for Rate Year 3. See Stipulation Attachment 3 (page 1).

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[3] See Order Approving Docket No. 2022-00042 dated June 16, 2022

[4] In referring to "LTCs", CMP is including long-term contracts entered pursuant 35-A M.R.S. § 3210-C and long-term contracts with community-based renewable energy projects pursuant to 35-A M.R.S. § 3604.

vii. A $418,916 decrease from projections for Cape Station lease net expense as actual net receipts were higher than anticipated. See Stipulation Attachment 3 (page 1).

viii. An increase of $482,339 for the monetization of 2022 expiring kWh netting NEB credits for application to AMP customer balances. See Stipulation Attachment 3 (page 1).

1. The parties dispute the appropriate rate treatment of expired kWh credits. CMP proposed to recover the costs of expired kWh credits in stranded cost rates as an NEB expense pursuant to Order in Docket No. 2021-00360 and Chapter 313 of Commission rule that directs that the value of expired kWh credits be used to reduce AMP customer account balances. The OPA instead holds the position that the value of expired credits applied to AMP customer bills are a cost of the AMP program and should be recovered as bad debt expense consistent with Section 3214. As a compromise, the parties agree that CMP shall be allowed to recover in stranded cost rates only the monetary value of credits applied to AMP customer bills in February 2023. The parties agree that CMP may seek recovery of the additional $314,552 associated with NEB expired credits that were applied to AMP customer balances in a future rate case or other appropriate proceeding. The Commission's decision approving this stipulation shall have no bearing on whether and how this amount should be recovered.

ix. The parties agree that CMP may seek recovery of the $314,552 associated with NEB expired credits from calendar year 2021 that were applied to AMP customer balances in a future rate case or other appropriate proceeding.

x. A $20,133,122 decrease for the over-collection in stranded cost revenue during the March 2022 – February 2023 period. See Stipulation Attachment 3 (page 2).

xi. An increase of $581,257 for carrying costs on the Rate Year 3 reconciliation balance. See Stipulation Attachment 2 (page 2).

2. Combining the Rate Year 3 stranded cost reconciliation with the Rate Year 1 stranded cost revenue requirement totals $95,140,346 and results in a $148,701,165 increase from the ($53,560,819) stranded cost amount currently in rates. See Stipulation Attachment 1.

3. The Stipulating Parties agree that the Company shall collect from customers the $95,140,346 amount described in Stipulation Paragraph 3 over the period July 1, 2023 through June 30, 2024.

4. The Stipulating Parties agree that the Company shall allocate NEB stranded costs as shown in Stipulation Attachment 4 (page 5). For purposes of the allocation, the kWh usage of the residential, SGS, and MGS rate options is aggregated so that NEB costs are allocated equally to all customers within a given rate class, consistent with the Commission's Order in Docket No. 2022-00160.

### E. Commission Authority to Approve the Stipulation

The Commission has the authority to approve the Stipulation pursuant to 35-A M.R.S. § 301, which authorizes the Commission to approve just and reasonable rates filed by utilities. Further, the Stipulation satisfies the approval criteria set forth in Section 8(D)(7) of the Commission's Chapter 110 procedural rules. Section 8(D)(7) of Chapter 110 provides:

> In deciding whether to approve a stipulation, the Commission will consider the following criteria:
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> a. Whether the parties joining the stipulation represent a sufficiently broad spectrum of interests that the Commission can be sure that there is no appearance or reality of disenfranchisement;
> b. Whether the process that led to the stipulation was fair to all parties;
> c. Whether the stipulated result is reasonable and is not contrary to legislative mandate; and
> d. Whether the overall stipulated result is in the public interest.

In this case, the parties joining the Stipulation represent a sufficiently broad spectrum of interests that the Commission can be sure that there is no appearance or reality of disenfranchisement. In past cases where a stipulation was entered into by the utility and the OPA, the Commission found that these entities, representing often opposite views in the ratemaking process, constitute a sufficiently broad spectrum of interests to satisfy the first criteria for stipulation approval. *See Public Utilities Commission*, *Investigation of Stranded Cost Recovery, Transmission and Distribution Utility Revenue Requirements and Rate Design of Bangor Hydro-Electric Company* (Phase II), Docket No. 97-596, Order at 6 (Feb. 29, 2000) and *Maine Public Utilities Commission*, *Investigation of Retail Electric Transmission Services and Jurisdictional Issues, Docket No. 99-185, Order Approving Stipulation (Maine Public Service Company)* at 3 (Aug. 11, 2000). Further, the Commission Staff was an active participant in the settlement process and has not indicated any objection to the Stipulation. Therefore, a broad spectrum of interests is represented by the Stipulation.

Second, the process that led to the Stipulation was fair. The settlement process was open to all parties and the settlement discussions took place via Microsoft Teams with all parties invited to attend, with further communications occurring by electronic mail with all parties and Commission Staff being copied.

Third, the stipulated result in this case is reasonable and is not contrary to legislative mandate. In addition, the overall stipulated result is in the public interest in that it results in just and reasonable rates for CMP's customers.

We ask that the Stipulation be brought to the Commissioners' attention in time to be considered at the Commission's June 13, 2023 deliberative session.

Respectfully submitted,

Carlisle Tuggey
General Counsel

Enclosures
(Stipulation and Attachments)